

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 SP-02 STR-05 TRSE-00 LAB-04  
SIL-01 OMB-01 L-03 USIA-06 NSC-05 SS-15 DHA-05  
DODE-00 PA-01 PRS-01 OES-07 /093 R

DRAFTED BY EUR/SE:MCFINROW/RCEWING:CSR

APPROVED BY C:MNIMETZ

EUR/SE:RCEWING

EUR:REBARBOUR

-----094035 300128Z /61

R 291202Z SEP 77

FM SECSTATE WASHDC

TO AMEMBASSY NICOSIA

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

USMISSION USUN NEW YORK

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

C O N F I D E N T I A L STATE 234321

USEEC FOR EC BRUSSELS

E.O. 11652: GDS

TAGS:PGOV, CY

SUBJECT:VISIT OF CYPRIOT FINANCE MINISTER

1. CYPRIOT FINANCE MINISTER ANDREAS PATSALIDES, ACCOMPANIED BY CYPRUS AMBASSADOR DIMITROU, MET SEPTEMBER 26 WITH COUNSELOR NIMETZ FOR GENERAL REVIEW OF CYPRUS ECONOMY AND FUTURE ASSISTANCE NEEDS, THE DOMESTIC POLITICAL SCENE, CONFIDENTIAL

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AND PROSPECTS FOR FUTURE NEGOTIATIONS TO RESOLVE THE CYPRUS ISSUE.

2. PATSALIDES SAID THAT THERE HAS BEEN SUBSTANTIAL IMPROVEMENT IN THE CYPRIOT ECONOMY BUT THERE WERE STILL MANY PROBLEMS, INCLUDING REFUGEE HOUSING AND THE NEED TO REBUILD SCHOOLS AND HOSPITALS. HE NOTED THAT THERE WERE

THREE OR FOUR LARGE WORLD BANK PROJECTS IN CYPRUS, INCLUDING A HIGHWAY AND AN IRRIGATION PROJECT. CYPRUS HAD RECENTLY SIGNED AN EXTENSION OF ITS AGREEMENT WITH THE EC INCLUDING A FINANCIAL PROTOCOL WHICH WILL GO INTO EFFECT AFTER RATIFICATION BY MEMBER STATES.

3. PATSALIDES SAID CYPRUS HAS A CONTINUING NEED FOR EXTERNAL ASSISTANCE AND HOPED A US PROGRAM WOULD CONTINUE. NIMETZ REPLIED THAT WHILE ON THE BASIS OF PURELY ECONOMIC CRITERIA THERE ARE VERY PERSUASIVE ARGUMENTS FOR NOT GIVING

CYPRUS FURTHER AID, WE WOULD NEVERTHELESS KEEP THE MATTER UNDER CONSIDERATION.

4. NIMETZ SAID IT WOULD BE MOST HELPFUL IF CYPRIOT AUTHORITIES COULD MAKE GREATER EFFORTS TO SEE THAT THE US WAS GIVEN CREDIT FOR GENEROUS ASSISTANCE PROVIDED CYPRUS OVER LAST SEVERAL YEARS. HE NOTED THAT A NUMBER OF RECENT AMERICAN VISITORS TO CYPRUS HAD COMMENTED THAT MANY CYPRIOTS SEEMED UNAWARE OF MAGNITUDE OR TYPES OF ASSISTANCE US HAD PROVIDED. PATSALIDES ACKNOWLEDGED THAT GOC COULD DO MORE IN THIS REGARD; DIMITRIOU NOTED THAT GOC PUBLIC INFORMATION OFFICE HAD JUST ISSUED STATEMENT ON USG AID FUNDS (NICOSIA 2536).

5. NIMETZ ASKED IF PATSALIDES HAD ANY IDEAS ON HOW THE  
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APPARENT TURKISH CYPRIOT SENSE OF ENTREPRENEURIAL INFERIORITY AND FEAR OF GREEK CYPRIOT ECONOMIC DOMINATION COULD BE OVERCOME IN THE CONTEXT OF A FINAL SETTLEMENT. PATSALIDES REPLIED THAT THE NOTION THAT THE TURKISH CYPRIOTS WOULD BECOME "SERFS" IN A UNITED CYPRUS HAD BEEN PROPOUNDED BY DENKTASH. SUCH FEARS WERE IN HIS OPINION UNFOUNDED. THE TURKISH CYPRIOTS WERE MORE EUROPEAN THAN MAINLAND TURKS, AND HAD NOT BEEN DOMINATED BY THE GREEKS IN THE PAST. PATSALIDES THOUGHT, INDEED, THAT THE ONLY HOPEFOR THE TURKISH CYPRIOT ECONOMY WAS IN COOPERATION WITH THE GREEK CYPRIOTS, THROUGH JOINT VENTURES, FOR EXAMPLE. THE ECONOMY COULD NOT PROSPER IN ISOLATION, AND WOULD DETERIORATE FURTHER IF THE TURKISH-CYPRIOTS DECLARED THEIR INDEPENDENCE.

6. NIMETZ ASKED WHETHER IDEAS FOR JOINT VENTURES AND OTHER FORMS OF COOPERATION COULD BE PUT FORWARD EVEN BEFORE A FULL SOLUTION IS FOUND. PATSALIDES RESPONDED THAT THE GREEK COMMUNITY WILL BE GENEROUS PROVIDED THAT THE SETTLEMENT IS JUST AND THE PEOPLE BELIEVE IN IT.

7. PATSALIDES SAID THERE WAS PESSIMISM AND DISAPPOINTMENT

IN CYPRUS OVER THE LACK OF PROGRESS TOWARD A CYPRUS SETTLEMENT AND URGED THAT THE US BE SEEN AS EXERCISING REAL PRESSURE ON TURKEY. NIMETZ REPLIED THAT WE WOULD HAVE TO SEE WHAT DEVELOPS IN TURKEY. THE DEMIREL GOVERNMENT APPEARS TO BE ADDRESSING PROBLEMS MORE DECISIVELY AND FLEXIBLY THAN ITS PREDECESSORS. IN RESPONSE TO QUESTION FROM DIMITRIOU, NIMETZ GAVE A GENERAL DESCRIPTION OF HIS RECENT TRIP TO ANKARA AND ATHENS NOTING THAT WHILE THE TURKS WERE WILLING TO TALK POSITIVELY ABOUT SOME PROBLEMS, THERE WAS NO REAL PROGRESS ON SUBSTANCE. THE TURKS UNDERSTAND, HOWEVER, THAT THERE MUST BE PROGRESS ON

CYPRUS BEFORE CONGRESS WILL LIFT THE ARMS EMBARGO. THEY ARE DISSATISFIED WITH THE INTERCOMMUNAL TALKS FORMAT,  
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WHICH MAKES IT DIFFICULT FOR TURKEY TO CONTROL DENKTASH. IN RESPONSE NIMETZ QUERY AS TO HOW CYPRIOTS MIGHT WANT TALKS ORGANIZED, PATSALIDES SUGGESTED DIRECT DISCUSSIONS BETWEEN GOC AND GOVERNMENT IN ANKARA. CHRISTOPHER

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009